#### **CHAPTER FIFTEEN**

# AUDIT REQUIREMENTS MONITORING AND COMPLIANCE REVIEW

# **General Instructions to Monitoring Staff:**

**Maryland DHCD** 

The monitoring of grantee compliance with audit requirements should be conducted through a combination of: (a) "on-site" activities at the local program office (through review of grantee policies and procedures, inspection of files, and interviews of key staff), and (b) a careful review of the audit report(s) submitted by the grantee to DHCD. The issues and concerns identified in this review of the grantee's audit activities should be noted on the <a href="Audit Requirements">Audit Requirements</a> -- Summary Page for Monitoring and Compliance Review found at the end of this chapter.

A. GENERAL INFORMATION			Date(s) of On-Site Review:				
	Date(s) of Receipt of Audit Report(s):						
Grantee/Project Name:		Program `	Program Year:				
Grant #:		Grant Ter					
Local Staff Interviewed: Name:	Title:	Location:	Date of Interview:	Telephone #/e-mail:			
Summary (Chapter One). Any A	PROJECT INFORMATION SUMM udit issues that emerged from the crviews and/or correspondence with Related Questions/Citations	completion of the ir h the local project s	n-house, pre-visit review reflected				
	-						

Chapter Fifteen - Audit Requirements/Monitoring and Compliance Review

# **Additional Instructions to Monitoring Staff:**

#### **AUDIT**

Audit compliance is subject to the requirements of OMB Circular A-133, which derive from the Single Audit Act Amendments of 1996). Maryland CDBG Program grantees expending \$300,000 or more in Federal funds in a single year are required to have an audit for that year conducted in accordance with 24 CFR 85.26 and that meets the standards of OMB Circular A-133. A grantee expending less than \$300,000 in a single year in Federal funds should nonetheless (as a good business practice) have an annual independent audit by a Certified Public Accountant (CPA), to help to ensure that the grantee has complied with laws and regulations affecting the expenditure of Federal funds. Moreover, grantees spending less than \$300,000 in Federal funds in a year must still have their records available for review.

Grantees must maintain records that are capable of being audited. OMB Circular A-133 specifies the standards that apply to audits conducted in compliance with the Single Audit Act. However, all independent audits should meet Generally Accepted Accounting Principles (GAAP) and Generally Accepted Government Auditing Standards (GAGAS). The audit should focus on three areas:

- Financial records and statements:
- Internal control systems; and
- Grantee compliance with Maryland CDBG Program requirements.

Audit reports conducted in compliance with OMB A-133 must be provided by the grantee to the Maryland CDBG Program no later than 30 days after the issuance of the report by the auditor, or nine months after the end of the audit period, unless a longer time period has bee approved in advance by DHCD.

#### THE MONITORING PROCESS

Normally, DHCD staff will not monitor grantee compliance with audit requirements during a field visit. However, during the on-site visit, the Reviewer should ensure that the grantee is aware of the applicable audit requirements and, where appropriate, has set aside funds to pay for the audit. The grantee may charge a proportionate share of audit costs to each grant program covered by the audit scope.

When the audit report is received by the Maryland CDBG Program, DHCD staff should identify any findings that must be resolved by the grantee. Grantees should be advised of any findings that must be resolved by letter.

All issues identified during the on-site visit or the review of the audit report(s) should be listed on the <u>Audit Requirements – Summary Page for</u> Monitoring and Compliance Review found at the end of this chapter of the Handbook.

# C. AUDIT REQUIREMENTS

	AUDIT CHECKLIST	Evidence from On-Site Visit and/or Audit Report(s) Indicate Program Practice Consistent with Applicable Rules & Regulations		Comments:
Cita Aud inclu sub- func	tions: 24 CFR 85.26 and OMB Circular A-133: Single lit Act Amendments require compliance with A-133, uding audit by independent auditor, for grantees or grantees expending \$300,000 or more in Federal is in a single year.  Grantee Spending Threshold: Did the grantee expend \$300,000 or more in Federal funds (in aggregate) for any year during the term of the Maryland CDBG grant?	Yes	No	If "Yes", list the year(s) in which the \$300,000 threshold was met or exceeded:
	Awareness of Requirements: Is the grantee aware of the Maryland CDBG Program audit requirements?	Yes	No	
	<b>Budgeting for Audits:</b> Has the grantee budgeted funds for the required audit(s)?	Yes	No	
	Organization of Records: Based on a review of the grantee's financial and program records, do the grantee's records appear to be organized for an audit?  OMB A-133, Subpart B.	Yes	No	
	Subrecipient Spending Threshold: If the grantee has a subrecipient, did the subrecipient expend \$300,000 or more in Federal funds (in aggregate) for any year during the term of the Maryland CDBG grant?	Yes	No	If "Yes", list the year(s) in which the \$300,000 threshold was met or exceeded:

AUDIT CHECKLIST		Evidence from On-Site Visit and/or Audit Report(s) Indicate Program Practice Consistent with Applicable Rules & Regulations		Comments:
	Completed "Single Audit Act" Audits: For each year in which the grantee expended \$300,000 or more in Federal funds in aggregate, did the grantee have an audit completed in conformance with the standards of OMB A-133?  Note: As appropriate, specify responses by year, noting all of the individual relevant years identified in Question #1, above.	Yes	No	
7.	Audit Report Received Within Specified Period: For each fiscal year in which the grantee expended \$300,000 or more in Federal funds, was the annual audit report received by the Maryland CDBG Program within 30 days after issuance by the auditor, and no later than 9 months after the period covered by the audit?	Yes	No	
	Did the grantee also submit a copy of the audit report and the "Data Collection Form" (Form SF-SAC) to the Federal clearinghouse specified by OMB?  Note:  (a) As appropriate, specify responses to these questions by year, noting all of the individual relevant years identified in Question #1, above:  (b) Answer questions #8 through #16 below, for each audit report received.	Yes	No	
8.	Procurement Process: Was the auditor selected through a competitive procurement process?	Yes	No	If "No", explain selection process:

AUDIT CHECKLIST		ce from e Visit Audit ort(s) Program tice ent with le Rules lations	Comments:
9. Time Period Covered: What is the time period covered by the audit report?			
From: To:			
10. Financial Records in Order: Were records and financial statements auditable, based on the auditor's opinion expressed in the audit report's cover letter?	Yes	No	
11. Adequate Controls: Were internal controls found to be adequate to properly account for revenues, expenditures, and project assets?	Yes	No	
12. <b>Findings or Concerns:</b> Were there any findings or concerns expressed in the audit report regarding the expenditure of CDBG funds or any compliance issues?	Yes	No	If "Yes", list findings:
If "Yes", has DHCD staff prepared a written inquiry to the grantee requesting a written response to the auditor's findings or concerns? (If a written inquiry has been prepared, attach a copy to this checklist.)	Yes	No	If "No", list date when letter will be prepared by DHCD staff:
13. <b>Grantee Response to Findings/Concerns:</b> If the audit report contained findings and/or concerns, has the grantee responded to these findings/concerns?	Yes	No	If "No", give the date by which the grantee will respond:
If "Yes", was the grantee's response acceptable?	Yes	No	If "No", explain:

AUDIT CHECKLIST		ce from e Visit Audit ort(s) Program etice ent with le Rules lations	Comments:
14. Corrective Action: Has the grantee taken corrective action, or will corrective action be taken within 6 months of the receipt of the audit report by the grantee?	Yes	No	If "No", explain:
15. <b>Discrepancies:</b> Does the audit report show any discrepancies between the grantee's financial records and those maintained by the Maryland CDBG Program?	Yes	No	If "Yes", identify the discrepancy and any adjustments that have or must be made:
16. <b>Illegal/Irregular Findings:</b> Did the auditor identify any illegal acts or irregularities?	Yes	No	If "Yes", list:
If "Yes", were proper local, State, and Federal officials informed promptly? (Attach copies of applicable correspondence.)	Yes	No	
17. Non "Single Audit Act" Audits: If the grantee was not required to have an audit per the standards of OMB-A-133 for any year during the grant term, did it nonetheless have an independent audit for that fiscal year by a CPA that included examination of the Maryland CDBG funds within the audit's scope?	Yes	No	If "Yes", relevant list years:
Note: If "Yes", complete Questions #8 through #16 for each such independent audit.			

AUDIT CHECKLIST	Evidence from On-Site Visit and/or Audit Report(s) Indicate Program Practice Consistent with Applicable Rules & Regulations	Comments:
18. Subrecipient Audits: (As applicable) Did the grantee ensure that its subrecipients had appropriate independent audits conducted, particularly subrecipients that expended \$300,000 or more in Federal funds in a single year (see response to Question #2, above). See 24 CFR 85.26(b)(1)	Yes No	

#### **AUDIT REQUIREMENTS**

### SUMMARY PAGE FOR MONITORING AND COMPLIANCE REVIEW

## **Instructions to Monitoring Staff:**

In the space below, please note any issues arising from the on-site visit or review of the audit report(s). For any audit concerns or findings identified during the review, provide amplification as necessary, and specify corrective actions that the grantee must take to resolve the issue(s). Also describe the nature of any technical assistance provided. List any follow-up action for the DHCD staff and/or the grantee, and the dates by which such actions must be taken.

Issues/Concerns/Findings (and Relevant Citations):	Necessary Action Steps and/or Resolution	n (and D	eadlines):
Based on the available evidence, has the grantee complied with applicable Sin	gle Audit Act requirements?	Yes	No
Based on the audit report(s) reviewed, has the grantee complied with all approCDBG Program?	priate financial and program requirements	pertainin Yes	ng to the Maryland No
Maryland DHCD Staff Conducting Review:			
Date Review Completed:			